

**'to acquire
high quality
assets which
will appreciate
significantly
over time'**

Annual Report 1980

Unicorp Financial Corporation

Unicorp Financial Corporation has diversified investments in real estate and financial service companies in Canada and the United States.

Unicorp's strategy is to build up a pool of assets having the potential for long term capital appreciation rather than investing to maximize short term earnings. This is accomplished primarily by acquiring major interests in well managed public companies that control these assets.

Prior to 1977 Unicorp's activities were limited to investment positions in a Canadian chartered bank and a trust company in which Unicorp took a substantial management responsibility. By mid-1977 these two operations had been merged into larger companies and Unicorp ceased its operational role. At that time Unicorp adopted a policy of investing in companies with competent management in place, thus avoiding the need for any day-to-day management involvement. Since then the Company has acquired additional investments in financial service companies and

expanded its real estate portfolio.

In 1978 Unicorp commenced a major program of investing in U.S. real estate by purchasing interests in four publicly traded, equity-oriented real estate investment trusts (REIT's). This was the most economic and expeditious way for Unicorp to acquire an interest in a large diversified portfolio of income producing real estate. The investment in these REIT's now represents 62% of Unicorp's assets and gives the Company an indirect interest in 80 properties comprising over 15 million net rentable square feet across the United States.

Since the adoption of this asset-oriented investment strategy in 1977, Unicorp's total assets have grown from \$26 million to \$108 million and shareholders' equity has increased from \$14 million to \$29 million.

Unicorp is managed by a small staff with entrepreneurial and professional experience operating from its head office in Toronto, Canada. The Company's shares are traded on The Toronto Stock Exchange.



The Unicorp Building, Toronto, Canada

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Annual Meeting

The Annual Meeting of Shareholders will be held at 11:00 a.m., Wednesday, May 6, 1981, at the Royal York Hotel, Toronto.

Significant Events in 1980

FIRST QUARTER: • acquisition of Heritage Life Assurance Company

SECOND QUARTER: • sale of investment in AVEMCO Corporation

THIRD QUARTER: • public issue of 200,000 9% convertible preference shares and 400,000 Class A share purchase warrants
• acquisition of 40% interest in GREIT Realty Trust
• sale of Heritage Life Assurance Company

FOURTH QUARTER: • sale of investment in Royal Trustco Limited
• increase of interest in Great Northern Financial Corporation to 70% and agreement to merge its operations with Midland Doherty Limited
• acquisition, with GREIT Realty Trust, of 40% interest in San Francisco Real Estate Investors
• adoption of quarterly dividend policy

Financial Highlights

	YEARS ENDING DECEMBER 31	
	1980	1979
FOR THE YEAR		
Total revenue	\$ 13,725,000	\$ 5,589,000
Net earnings	\$ 7,509,000	\$ 841,000
PER SHARE		
Net earnings — basic	\$ 1.09	\$ 0.14
— fully diluted	\$ 1.03	\$ 0.14
Dividends	\$ 0.06	\$ 0.06
Book value — basic	\$ 3.61	\$ 2.58
— fully diluted	\$ 3.85	\$ 2.66
AT YEAR END		
Total assets	\$107,566,000	\$56,393,000
Investment in real estate	\$ 87,725,000	\$31,756,000
Investment in financial service companies	\$ 6,345,000	\$16,916,000
Shareholders' equity	\$ 28,672,000	\$17,574,000
Aggregate number of Class A and		
Class B shares outstanding	6,965,761	6,494,928
Number of shareholders	2,404	1,700

To Our Shareholders

The year 1980 was the most significant twelve months in the short history of your Company. First, it was the most active and profitable year on record as the Company continued its rapid expansion in the United States. Second, our investment strategy of **acquiring high quality assets which will appreciate significantly over time** gained wide spread acceptance by investors as an advantageous way to participate in equity growth and hedge investment funds against continued high levels of inflation.

Financial Results

During the year, total assets increased 91% from \$56,393,000 to \$107,566,000 and shareholders' equity increased from \$17,574,000 to \$28,672,000, a gain of 63%. Net earnings for 1980 were \$7,509,000 or \$1.09 per share (\$1.03 fully diluted) compared to \$841,000 or 14¢ per share in 1979.

The large growth in assets is attributable to increased investments in U.S. real estate through purchases of equity real estate investment trust (REIT) shares. Total funds invested in these REIT's increased from \$12.2 million to \$66.6 million and this category now represents 62% of our total assets. This increased investment position was financed with the proceeds from the sale of several large interests in financial service companies, a \$4 million convertible preferred share issue and an increase in bank indebtedness of \$41 million.

Interest and dividend income rose 32% to \$3,813,000 and income from associated companies was up from \$47,000 to \$1,526,000. These increases reflect the strong underlying earning potential of the assets which we have been building up over the past two years. Operating earnings were augmented significantly during the year by capital gains resulting from the sale of our

investments in AVEMCO Corporation, Heritage Life and Royal Trust. Profit on these transactions amounted to \$8.5 million.

Interest costs continued to be the largest expense category due to a combination of higher rates and a large increase in bank indebtedness. Since Unicorp's taxable income was less than its tax deductible expenses, these higher interest costs had a significant effect on after-tax earnings. Increases in general and administrative expenses reflected the cost of additional head office staff and a number of one time expenses necessary to support our higher level of activity.

1980 Investment Activity

As mentioned previously, our 1980 investment activities were concentrated in building our indirect ownership of prime U.S. real estate. By year end we had substantially increased our investment in four REIT's to the following levels: First Union Real Estate Investments — \$33.9 million (14% fully diluted); GREIT Realty Trust — \$6.3 million (49%); San Francisco Real Estate Investors — \$22.7 million (25%); Real Estate Investment Trust of America — \$3.7 million (11%). In addition GREIT had acquired a further 15% in San Francisco giving Unicorp a total direct and indirect interest in that trust of 40%. The 1980 operating results of these four real estate trusts showed significant gains due to the high quality of the commercial real estate in their portfolios.

As a result of the sale of our shares of AVEMCO, Heritage Life and Royal Trust, our investment in financial service companies has been greatly reduced from its high of \$29.3 million in March, 1980 to the current level of \$6.3 million. Our interest in Great Northern Financial, which was increased from 37% to 70% during the year, is now the largest investment in this category.

When we acquired majority control of Great Northern Financial the management and operations were integrated with those of Unicorp. Subsequently, a plan was adopted to liquidate Great Northern Financial's operations and merge with Midland Doherty Limited, one of Canada's leading investment dealers, to create the country's first publicly owned investment house. By the terms of the original merger agreement, Unicorp would become an 18% shareholder in Midland Doherty. Before this transaction can be consummated, a number of regulations affecting the operations of an investment dealer must be amended. An industry committee has recently completed a thorough examination of the implication of public ownership in the investment industry. The committee has concluded that public ownership should be allowed, but recommended that no one non-industry investor should be permitted to own more than 10% of an investment dealer. We are awaiting the promulgation of the final regulations before we can assess their impact on our proposed transaction.

Financial Position

During the year our shareholders' equity was strengthened through the retention of earnings and a \$4 million issue of 9% convertible preferred shares which was underwritten by our fiscal agents. This was the first public offering of securities by Unicorp and it proved to be most successful. The issue included warrants to purchase 400,000 Class A shares which could result in a further cash inflow of \$2 million in late 1981. Your management will consider additional share issues as we continue to expand our asset base since this form of capital reduces our dependence on floating rate debt and hence, our effective cost of funds.

Directors and Dividends

Changes in your board of directors include the addition of Mr. Philip Holtby, President of Midland Doherty Limited and Mr. Charles Tabachnick, Chairman of Chartwood Developments Limited and the departure of Messrs. V. E. Daughney and S. A. Weintraub. I would like to thank both these gentlemen for their valuable contributions as directors of Unicorp and as members of our management group.

In November your board adopted a quarterly dividend policy with the initial quarterly dividend set at 3¢ per share (indicated annual rate of 12¢ per share). During 1980, dividends paid amounted to 6¢ per share, payable 3¢ per share semi-annually.

Outlook

The coming year promises to be eventful for Unicorp. We plan to continue our U.S. real estate program and our search for financial service companies. In addition we are studying carefully the federal government's National Energy Plan and its impact on that industry to identify opportunities to participate in the Canadianization of an energy resource company. We believe that an investment in the oil and gas industry would be consistent with our strategy of acquiring assets with little downside risk and the potential for growth in value.

In 1981 we will start to realize the positive effects of our increased investment in Great Northern Financial, GREIT and San Francisco. To the extent permitted, the assets and earnings of these companies will be included in our financial statements resulting in a large increase in our total assets and a more stable earnings pattern, lessening our dependence on capital gains.

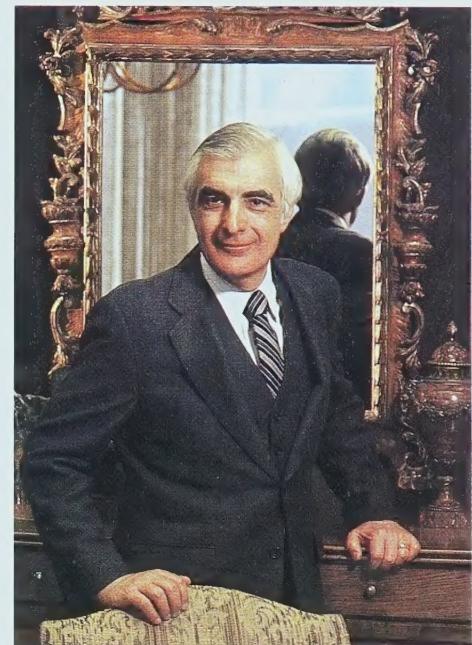
In January, as part of Great

Northern Financial's continuing liquidation program, that company disposed of its subsidiary, Financial Trust, for a gain of approximately \$1 million. The previously discussed merger of Great Northern Financial with Midland Doherty is also scheduled to be completed this summer.

Recently we negotiated the sale of our Canadian real estate development arm, Primesite Developments. The sale for cash proceeds of \$9 million will result in a gain of over \$2.5 million. Over the past twelve months this operation has required a disproportionate amount of Unicorp's management and financial resources and hence, was not consistent with our policy of minimizing direct operating responsibilities.

GREIT Realty Trust has announced a major re-organization plan which includes the de-REITing of GREIT through a merger with a new Delaware corporation, Unicorp American Corporation. In the process, our 700,000 shares of San Francisco Real Estate Investors will be transferred to this new company. The effect of the re-organization will be to consolidate the ownership of San Francisco and significantly increase the capital of this new operating subsidiary, Unicorp American Corporation. GREIT shareholders (other than Unicorp) will be asked to approve this proposal in June. If it is accepted, Unicorp American, which will continue its listing on the American Stock Exchange, will become our principal U.S. investment vehicle.

We expect that First Union and San Francisco Real Estate Investors will be making some major property acquisitions this year since they both raised over \$30 million cash in late 1980. San Francisco has already announced the purchase of four office buildings in Denver, Colorado.



I stated last year that high interest rates and uncontrollable inflation remain the chief concerns of all businesses. That statement seems even more relevant today despite signs that the new administration in Washington is trying to come to grips with these problems. However, despite these problems, there are still opportunities to increase our pool of "hard" assets provided we carefully follow our sound investment policy. I remain confident that Unicorp has the managerial expertise, self-discipline and financial capacity to continue into 1981 the investment program that has proven so successful over the past few years.

On behalf of the Board

A handwritten signature in black ink, appearing to read "George S. Mann".

GEORGE S. MANN
President

MARCH 18, 1981
Toronto, Canada

Company Overview

Unicorp has acquired diversified investments in real estate and financial service companies in Canada and the United States. The following table shows the breakdown of the Company's assets committed to its various activities at year end:

	1980		1979	
	Amount Invested (000's)	Percentage of Assets	Amount Invested (000's)	Percentage of Assets
Real estate investments	\$ 87,725	81.6%	\$31,756	56.3%
Financial service companies	6,345	5.9%	16,916	30.0%
Other assets, including marketable securities	13,496	12.5%	7,721	13.7%
	\$107,566	100.0%	\$56,393	100.0%

The Company's objective is to accumulate a pool of assets with potential for significant capital appreciation over time in preference to investing with a view to maximizing earnings in the short-term. This means that the earnings of the Company during its building phase can be somewhat unpredictable and will depend, to a degree, on capital gains. However, as the Company's asset base expands and the cash flow and income potential of these assets is realized, a definite pattern of earnings growth will emerge.

Unicorp believes that its most economic and expeditious way to acquire a large portfolio of assets is to purchase major investment positions in publicly traded companies. The assets acquired in this manner are highly liquid, and Unicorp benefits from the professional management already in place. This approach has been particularly valid in the U.S. real estate investment program; in the space of two years, Unicorp has been able to acquire a significant interest in a diversified portfolio of prime income producing properties by purchasing shares of equity-oriented REIT's. The Company believes that the replacement cost and market value of the real estate owned by these REIT's exceeds the value at which their shares trade.

Unicorp makes its equity investments only after a thorough investigation of a company's underlying assets to ensure that the downside risk of investing is minimized. To the extent possible the Company avoids any direct involvement in the day-to-day operations of these companies. Unicorp prefers to take an active

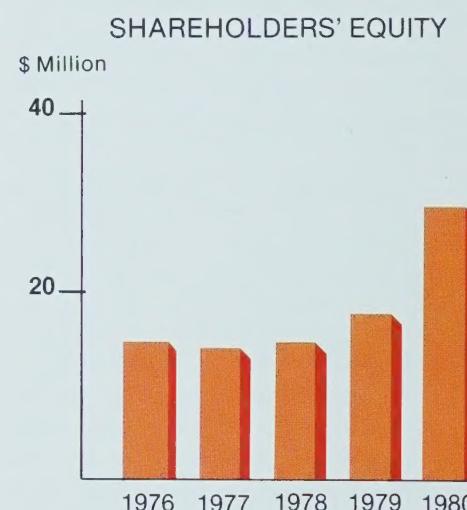
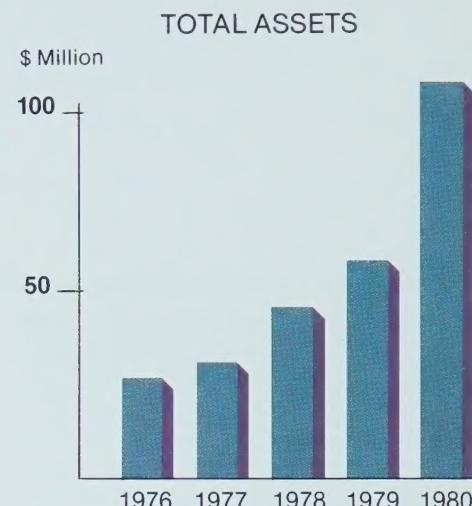
role at the companies' board level and to concentrate its own managerial expertise in seeking out further opportunities either for Unicorp directly or for one of its portfolio investments.

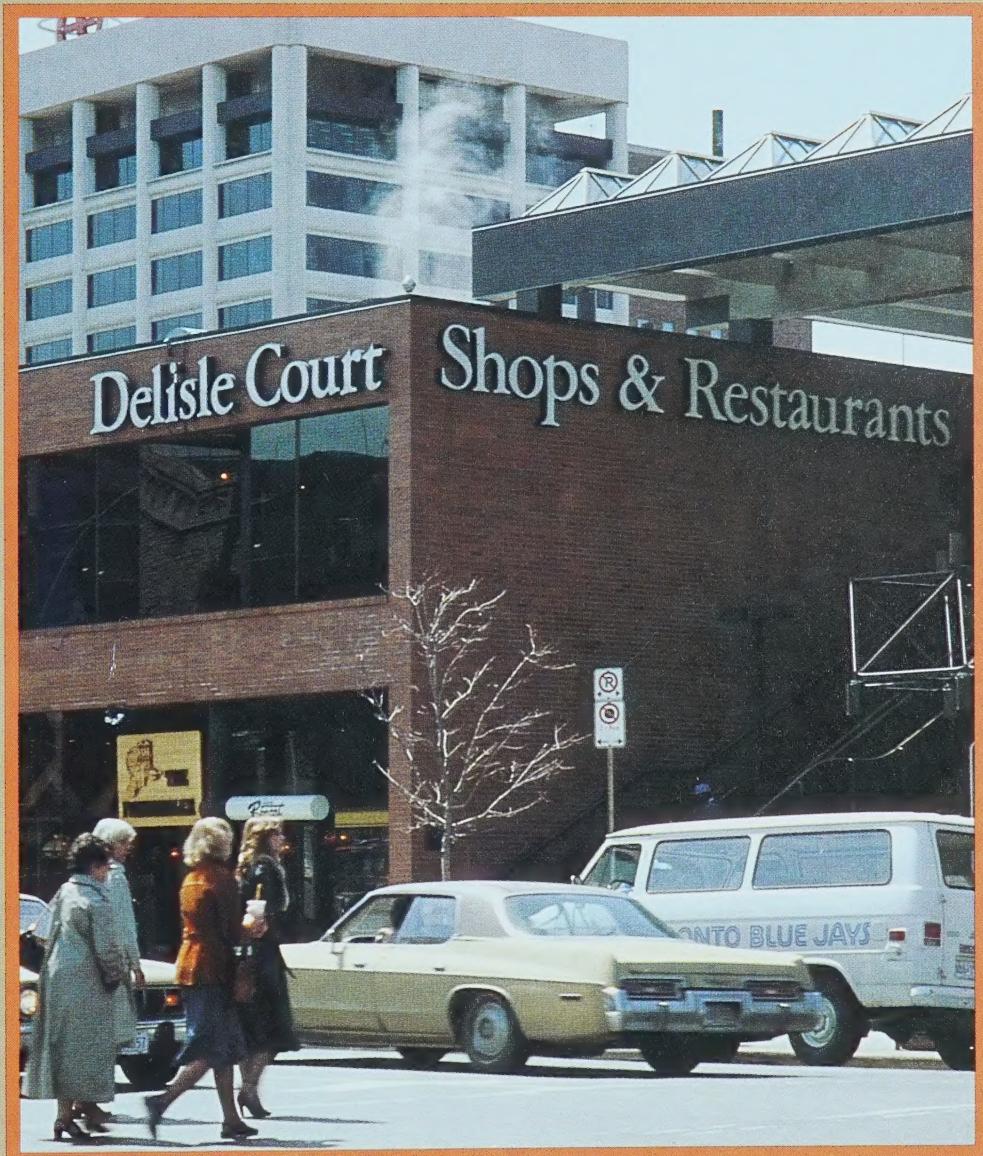
The Company's original objective was to invest at least 50% of its assets in the United States. As Unicorp increased its knowledge of and self-confidence in the U.S. market, this objective was expanded and U.S.-based assets now comprise 73% of total assets. This reflects management's view of the comparative attractiveness and number of investment opportunities in the United States.

Significant lines of credit are maintained with a number of chartered banks and financial institutions to finance Unicorp's investment acquisitions on an interim basis. Since management is reluctant to carry expensive floating rate debt for an extended period of time, acquisitions are subsequently refinanced on a more permanent basis.

Unicorp's senior executive officers have had considerable experience in the financial service and real estate fields both as investors and as operating executives. The Company's organizational structure comprising a lightly staffed head office allows it to react quickly to identify and take advantage of investment opportunities in a rapidly changing economic environment.

The accompanying graphs recap the Company's growth in assets and shareholders' equity since its current investment philosophy was adopted.





Delisle Court, Toronto, Canada

Review of Operations

Real Estate Activities

At year end Unicorp had a total of \$88 million invested in real estate compared with \$32 million in 1979. The distribution of this investment is shown below:

	1980	1979		
	Percentage Ownership %	Amount Invested (000's)	Percentage Ownership %	Amount Invested (000's)
U.S. REAL ESTATE				
First Union Real Estate Investments	13.9 ⁽¹⁾	\$33,859	3.0 ⁽¹⁾	\$ 4,513
San Francisco Real Estate Investors	24.7 ⁽²⁾	22,747	8.1	2,422
GREIT Realty Trust	49.3	6,283	23.1	2,027
Real Estate Investment Trust of America	10.6	3,713	9.8	3,194
		66,602		12,156
Real estate under development in Florida		4,854		3,960
		\$71,456		\$16,116
CANADIAN REAL ESTATE				
Toronto commercial real estate		\$10,693		\$10,947
Primesite Developments		5,576		4,693
		\$16,269		\$15,640

⁽¹⁾ownership shown on a fully-diluted basis.

⁽²⁾an additional 15.0% was owned by GREIT Realty Trust.

U.S. Real Estate

At December 31, 1980 Unicorp had increased its investment in publicly listed REIT shares to \$66.6 million. For purposes of U.S. income tax, a qualified REIT is a non-taxable publicly owned organization (usually a trust) which derives at least 75% of its income from real estate and distributes at least 95% of its taxable income to its shareholders. There are two principal types of REIT's: those which invest directly in real estate (equity REIT's) and those which lend on the security of real estate (mortgage REIT's). Unicorp identified the equity REIT's as a way of acquiring an indirect interest in a large portfolio of income producing properties. The four REIT's in which Unicorp has purchased significant ownership positions all have the following characteristics:

- the real estate portfolios are comprised primarily of shopping centres and office buildings,
- the trusts have minimal short-term interest sensitive debt,
- the trusts have cash and the borrowing capacity to expand, and
- the estimated replacement cost

and fair market value of the real estate is greater than the trusts' share trading prices.

First Union Real Estate Investments

First Union is one of the largest and most active equity REIT's in the United States. Its real estate portfolio is comprised of 11 office buildings, 13 shopping centres, 50% interests in two shopping centres, two high-rise metropolitan motor inns, a 1200 car parking garage and a 425 car parking facility. At December 31, 1980, the total assets of First Union were U.S. \$289.2 million and shareholders' equity was U.S. \$67.1 million versus U.S. \$243.5 million and U.S. \$62.5 million at year end 1979.

1980 was an active year for First Union; the trust sold one office building, acquired one shopping centre and a 50% interest in a second shopping centre and commenced major expansion programs at two existing centres. In addition, First Union raised U.S. \$40 million of new capital through a convertible debt issue. Operating

cash flow, earnings and dividends for the year were U.S. \$9,765,000 (up 10%), U.S. \$7,797,000 (up 20%) and U.S. \$8,660,000 (up 17%).

The raising of additional capital in late 1980 places First Union in a position to take advantage of new real estate investment opportunities in 1981.

San Francisco Real Estate Investors

San Francisco has developed a high quality real estate portfolio. The trust owns 20 properties including thirteen modern high-rise office buildings leased primarily to banks for their head offices, two garden apartment complexes, three commercial/industrial buildings and two ground leased parcels of land. At December 31, 1980 the total assets of San Francisco were U.S. \$79.1 million and shareholders' equity was U.S. \$58.7 million versus U.S. \$48.3 million and U.S. \$27.4 million in 1979. The large increase in assets and equity was due to the exercise of warrants which raised U.S. \$31.4 million cash for the trust. These funds, which were invested in short-term deposits at year end, will be used to acquire office buildings of the quality already owned by the trust. In February 1981, San Francisco used U.S. \$17 million of this cash to acquire four office buildings in Denver, Colorado, comprising 559,000 square feet of net rentable space. A search is underway to invest the remaining funds in similar projects.

Operating cash flow, earnings and dividends for the 1980 calendar year were U.S. \$3,056,000, (up 17%), U.S. \$2,411,000, (up 9%), and U.S. \$2,590,000, (up 13%).

GREIT Realty Trust

The properties of GREIT include one local and one regional shopping centre, four office buildings, three apartment properties and two properties under ground leases. GREIT also owns 400,000 shares of San Francisco or a 15% interest in that trust. At October 31, 1980, GREIT's total assets were U.S. \$31.4 million and shareholders' equity was U.S. \$11.2 million compared with U.S. \$33.2 million and U.S. \$9.3 million respectively in 1979.

Operating cash flow, earnings and dividends for the 1980 fiscal year were U.S. \$1,348,000 (up 51%), U.S. \$1,034,000 (up 66%), and U.S.

\$399,000 (no change).

Early in 1981, GREIT announced plans to convert to corporate form and relinquish its REIT status by merging with Unicorp American Corporation, a newly formed Delaware Corporation. This new company will acquire Unicorp's 700,000 shares of San Francisco, consolidating the 41% ownership position in that trust, in exchange for equity of Unicorp American Corporation. This will raise the new company's capital base to approximately U.S. \$32 million and solidly establish it as Unicorp's primary U.S. investment vehicle.

Real Estate Investment Trust of America

REITA is the oldest equity trust in the United States. Its real estate portfolio consists of 31 properties, including two regional shopping centres, six office buildings, six conventional retail properties, 11 light industrial properties and six parcels of land under ground leases. At year end November 30, 1980 REITA's total assets were U.S. \$46.0 million and shareholders' equity was U.S. \$37.0 million versus U.S. \$46.5 million and U.S. \$37.2 million in 1979.

No new investment activities were undertaken by the trust in 1980. Operating cash flow, earnings, and dividends for the 1980 fiscal year were U.S. \$5,082,000 (up 20%), U.S. \$3,795,000 (up 27%) and U.S. \$4,001,000 (up 44%) respectively.

In addition to the real estate owned through the REIT's, Unicorp is a partner with Bramalea Limited in the development of 275 acres in Boca Raton, Florida. During 1980 planning approvals were received and the partnership intends to commence land servicing by mid-1981 so that lots will be available for sale to residential builders later in the year.

Canadian Real Estate

Unicorp's real estate activities in Canada include the direct ownership of commercial properties in Toronto, Ontario and through a 50% partnership, Primesite Developments, the development and ownership of commercial and industrial real estate in Ontario and Western Canada.



Colorado State Bank Building, Denver, Colorado, 50% owned by San Francisco Real Estate Investors

Unicorp's direct holdings in commercial real estate remained unchanged during the year. Primesite, however, was very active with the sale of five strip plazas, the commencement of construction on four large projects and the securing and planning of several new sites for major commercial developments in Western Canada.

During the year, Unicorp became increasingly involved in the operations of Primesite. Further, the number of major projects planned for the next three years would require Unicorp to divert a disproportionate share of its financial resources to this partnership and assume significantly larger development risks. As a result Unicorp decided to dispose of its partnership interest for \$9 million cash, which will result in an estimated profit of \$2.5 million. This transaction is expected to close in April, 1981.

Financial Service Companies

Unicorp's interest in publicly listed financial service companies at year end is summarized below:

	1980			1979		
	Percentage Ownership %	Cost (000's)	Market (000's)	Percentage Ownership %	Cost (000's)	Market (000's)
Great Northern Financial Corporation	70.1	\$ 4,495	\$ 8,572	37.0	\$ 1,791	\$ 1,560
National Bank of Canada	0.7	1,850	2,149	0.8	1,966	2,131
Royal Trustco Limited	—	—	—	5.0	11,235	11,321
AVEMCO Corporation	—	—	—	8.5	1,924	2,765
	\$6,345	\$10,721		\$16,916	\$17,777	

During 1980, Unicorp disposed of its interests in AVEMCO and Royal Trust; in addition the Company acquired and disposed of a Canadian life insurance company, Heritage Life. These transactions resulted in aggregate gains of approximately \$8.5 million.

The net earnings of Great Northern Financial were \$3,538,000 versus the 1979 level of \$423,000. This dramatic increase was due to capital gains realized on the disposal of the Company's resource properties and marketable securities. Substantially all of these earnings were paid to shareholders through a \$3.5 million dividend in specie. Unicorp received 258,520 shares of Colonial Oil & Gas Limited, a Calgary-based resource company, as its share of that dividend.

In October, Unicorp increased its interest in Great Northern Financial to 70% and the managements and operations of Unicorp and Great Northern Financial were integrated. Subsequently Great Northern Financial adopted a new corporate strategy: the company agreed to liquidate its operations and merge with Midland

Doherty Limited, one of Canada's leading investment dealers. The resulting company, which will continue under the name Midland Doherty, will be Canada's first publicly owned investment dealer. As a result of a planned rights issue and the merger, Midland Doherty will have a significantly increased capital base and earnings potential. By the terms of the original agreement, Unicorp would be required to invest an additional \$3.4 million to own an 18% interest in the merged operation.

Since this proposed transaction will result in public ownership of a Canadian investment firm, various regulations governing the operations of investment dealers must be amended prior to the merger. Recently a task force of the investment industry published a report concerning public ownership in the industry. The report supported the concept of investment firms going public but recommended that no one non-industry shareholder be allowed to hold more than 10% of an investment dealer. We are awaiting the promulgation of the final regulations before we can assess their impact on our proposed



Bank of Delaware Building, Wilmington, Delaware, 50% owned by San Francisco Real Estate Investors

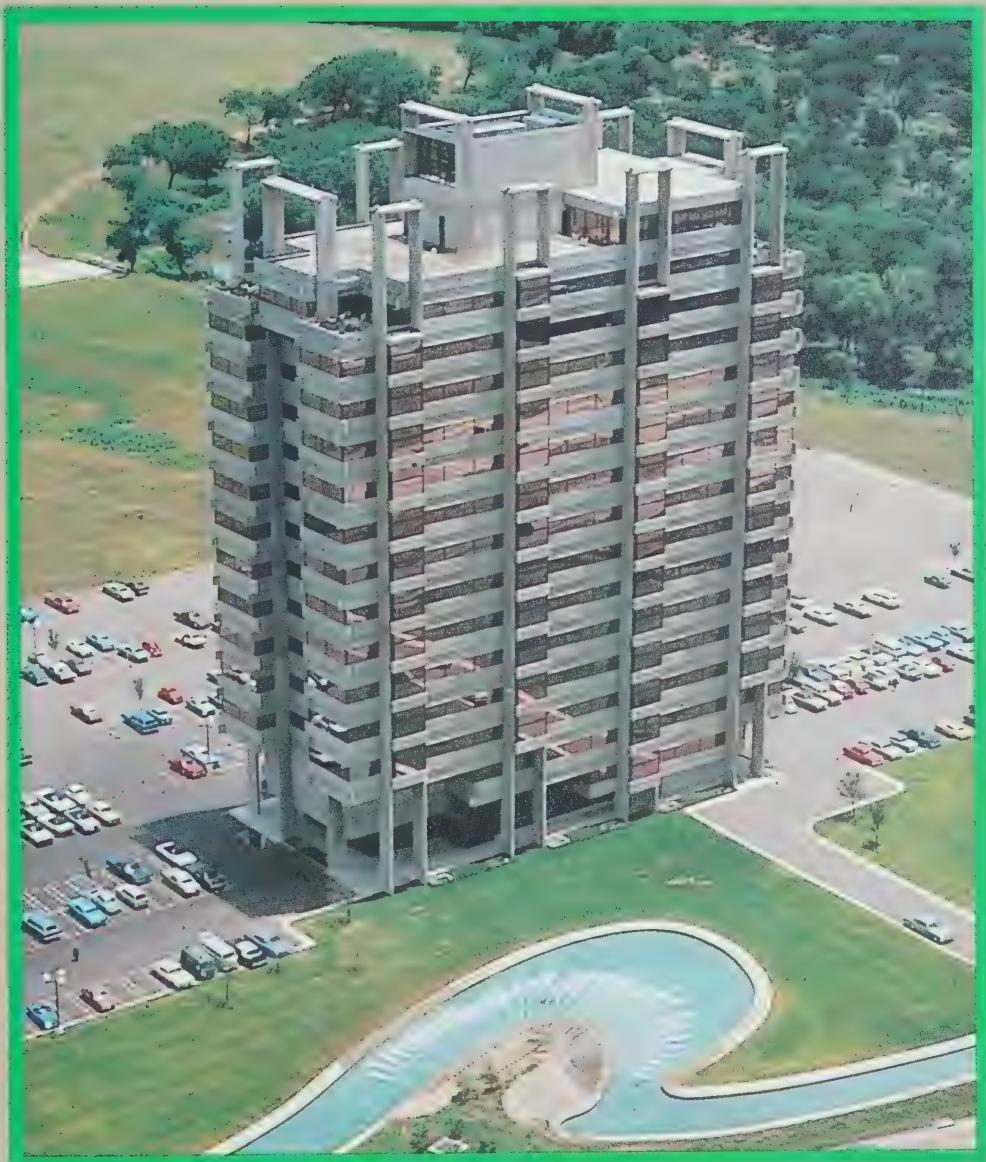
transaction. We anticipate that the necessary regulatory changes will be made so that the merger can be completed by mid-1981.

The proceeds of the sales of AVEMCO, Heritage Life and Royal Trust were directed to the U.S. real estate activities. During 1981, Unicorp intends to rebuild its investment in financial service companies with emphasis on operations in the United States.

Other Assets, including Marketable Securities

Other assets, which totalled \$13,496,000 at year end, included marketable securities costing \$10,817,000 and having a market value of \$11,712,000. At December 31, 1979 other assets totalled \$7,721,000 including marketable securities of \$5,410,000 with a market value of \$4,811,000.

The increase in marketable securities is attributable to the dividend in specie received from Great Northern Financial and a number of new REIT and financial service company investment positions.



One Brookhollow Plaza, Dallas, Texas, owned by San Francisco Real Estate Investors.

UNICORP FINANCIAL CORPORATION

Consolidated Balance Sheet

as at December 31, 1980 (with comparative figures for 1979)

	1980	1979
ASSETS		
Marketable securities (note 2)	\$ 10,817,000	\$ 5,410,000
Loans and accounts receivable	2,519,000	1,958,000
Investment in real estate partnership (note 3)	5,576,000	4,693,000
Portfolio investments (note 4)	39,422,000	22,832,000
Real estate investments (note 5)	15,547,000	14,907,000
Investment in associated companies (note 6)	33,525,000	6,240,000
Other assets	160,000	353,000
	\$107,566,000	\$56,393,000
LIABILITIES		
Bank indebtedness (secured)	\$ 57,584,000	\$16,506,000
Accounts payable and accrued charges	2,700,000	2,722,000
Loans payable	230,000	1,120,000
Mortgages payable (note 7)	8,354,000	8,445,000
Minority interest (note 8)	10,026,000	10,026,000
	78,894,000	38,819,000
SHAREHOLDERS' EQUITY		
Capital stock (note 9)	17,042,000	12,559,000
Retained earnings	11,630,000	5,015,000
	28,672,000	17,574,000
	\$107,566,000	\$56,393,000

See accompanying notes to consolidated financial statements.

Approved on behalf of the Board

GEORGE S. MANN, Director

JAMES W. LEECH, Director

Consolidated Statement of Earnings

for the year ended December 31, 1980 (with comparative figures for 1979)

	1980	1979
Income		
Rentals	\$ 1,448,000	\$ 1,490,000
Interest and dividends	3,813,000	2,889,000
Gain on sale of securities	8,464,000	1,210,000
	13,725,000	5,589,000
Expenses		
Property operating expenses	779,000	428,000
Interest on mortgages	894,000	855,000
Other interest	3,874,000	1,875,000
General and administrative	1,155,000	718,000
Depreciation	173,000	158,000
	6,875,000	4,034,000
Earnings before minority interest and equity in net earnings of associated companies and partnership	6,850,000	1,555,000
Minority interest (note 8)	867,000	761,000
Earnings before equity in net earnings of associated companies and partnership	5,983,000	794,000
Equity in net earnings of associated companies and partnership (note 10)	1,526,000	47,000
Net earnings	\$ 7,509,000	\$ 841,000
Earnings per share (note 11)		
Basic	\$ 1.09	\$.14
Fully diluted	\$ 1.03	\$.14

See accompanying notes to consolidated financial statements.

Consolidated Statement of Retained Earnings

for the year ended December 31, 1980 (with comparative figures for 1979)

	1980	1979
Balance, beginning of year	\$ 5,015,000	\$7,027,000
Net earnings	7,509,000	841,000
	<u>12,524,000</u>	<u>7,868,000</u>
Deduct: dividends paid	562,000	380,000
cost of preference share issue (note 9)	332,000	—
excess of purchase price over value of net assets of predecessor corporation acquired	—	197,000
excess of stated value of predecessor corporation shares exchanged over the value of shares issued on amalgamation	—	2,276,000
Balance, end of year	<u>\$11,630,000</u>	<u>\$5,015,000</u>

See accompanying notes to consolidated financial statements.

Auditors' Report**TO THE SHAREHOLDERS OF
UNICORP FINANCIAL CORPORATION**

We have examined the consolidated balance sheet of Unicorp Financial Corporation as at December 31, 1980 and the consolidated statements of earnings, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
February 27, 1981

SOBERMAN, ISENBAUM & COLOMBY
Chartered Accountants

Consolidated Statement of Changes in Financial Position

for the year ended December 31, 1980 (with comparative figures for 1979)

	1980	1979
SOURCE OF FUNDS		
Earnings before equity in net earnings of associated companies and partnership	\$ 5,983,000	\$ 794,000
Add depreciation, not requiring an outlay of cash	173,000	158,000
Funds generated from operations	<u>6,156,000</u>	952,000
Increase in bank indebtedness	41,078,000	9,443,000
Sale of portfolio investments	14,908,000	—
Proceeds from sale of shares (note 9)	4,483,000	2,850,000
Dividends from associated companies	526,000	—
Loans payable	28,000	600,000
Increase in accounts payable	—	1,747,000
Sale of marketable securities (net)	—	1,637,000
Proceeds from sale of preference shares by a subsidiary (note 8)	—	638,000
Repayment of mortgage receivable	—	500,000
Mortgage financing	—	339,000
Net changes in other assets and liabilities	—	13,000
	<u>\$67,179,000</u>	<u>\$18,719,000</u>
USE OF FUNDS		
Additions to portfolio investments	\$31,498,000	\$8,875,000
Additions to investment in associated companies	25,854,000	2,658,000
Purchase of marketable securities (net)	5,407,000	—
Advances to real estate partnership	1,314,000	647,000
Repayment of loans payable	918,000	280,000
Additions to real estate investments	593,000	4,262,000
Dividends paid	562,000	380,000
Increase in loans and accounts receivable	541,000	—
Cost of preference share issue	332,000	—
Mortgage principal repayments	111,000	552,000
Decrease in accounts payable	22,000	—
Acquisition of predecessor corporation	—	856,000
Deposits on land purchases	—	209,000
Net changes in other assets and liabilities	27,000	—
	<u>\$67,179,000</u>	<u>\$18,719,000</u>

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

December 31, 1980

1. Summary of significant accounting policies**(a) CONSOLIDATION**

The consolidated financial statements include:

- (i) the accounts of the Company and its wholly-owned subsidiaries;
- (ii) the accounts of unincorporated partnerships and a co-tenancy in which the Company participates, to the extent of the Company's interest in their respective assets, liabilities, revenues and expenses;
- (iii) the investment in Primesite Developments (note 3), an unincorporated partnership and the investment in Great Northern Financial Corporation and GREIT Realty Trust (note 6) are accounted for on the equity basis.

(b) DEPRECIATION

The Company records depreciation on its fixed assets as follows:

Office complex	— 2% straight line method
Buildings	— 5% sinking fund method to fully depreciate buildings over a 25 year period
Furniture and fixtures	— 20% declining balance
Automobiles	— 30% declining balance
Leasehold improvements	— straight line over a 15 year period

(c) PROPERTY HELD FOR FUTURE DEVELOPMENT

Real estate investments include properties which are held for future development. These properties are valued at the lower of net realizable value and cost including certain carrying and development costs.

(d) INCOME TAXES

Income taxes on net earnings are not exigible, primarily because a large portion of the Company's income consists of capital gains, dividends and deemed dividends from taxable Canadian corporations.

The Company and its subsidiaries are subject to income taxes on an individual, rather than consolidated basis. The companies have non-capital losses carried forward for Federal income tax purposes aggregating approximately \$1,321,000 which are available for the reduction of future years' taxable incomes. These losses expire as follows:

1981	\$ 95,000
1982	169,000
1983	251,000
1984	120,000
1985	686,000
	<u>\$1,321,000</u>

In addition, the Company has net capital losses available for the reduction of future years' capital gains amounting to approximately \$10,452,000 at December 31, 1980.

Future income tax recoveries on the non-capital and capital losses available have not been recognized in the accounts.

(e) TRANSLATION OF FOREIGN CURRENCIES

Accounts maintained in United States dollars have been translated into Canadian funds on the following basis: cash and current liabilities at the rate of exchange in effect at the year end, marketable securities and real estate at the rate at the time of acquisition or disposal, and income and expenses at the average rate for the year. The resulting exchange gains or losses are included in the consolidated statement of earnings.

(f) COMPARATIVE FIGURES

Comparative figures for the year ended December 31, 1979 have been reclassified to conform with the 1980 presentation and restated to reflect the equity accounting of the Company's interest in Primesite Developments (note 3).

2. Marketable securities

	Cost	Market
1980	\$10,817,000	\$11,712,000
1979	\$ 5,410,000	\$ 4,811,000

3. Investment in real estate partnership

	1980	1979
Advances	\$6,233,000	\$4,919,000
Accumulated share of net losses	(657,000)	(226,000)
	<u>\$5,576,000</u>	<u>\$4,693,000</u>

The Company has accounted for its investment in the real estate partnership (Primesite Developments) on the equity basis in anticipation of its pending sale (note 14).

The advances are partially secured by mortgages on various properties of the partnership and interest is charged at 2½ % over the prime rate charged by a Canadian chartered bank.

The Company has guaranteed bank loans on behalf of the partnership to a limit of \$3,700,000.

4. Portfolio investments — at cost

	1980			1979	
	Number of Shares or Bonds	Book Value		Number of Shares	Book Value
First Union Real Estate Equity and Mortgage Investments					
Common	675,800	\$14,545,000		249,630	\$ 4,513,000
Convertible preference	6,630	1,373,000		—	—
10% convertible debenture	8,850	10,392,000		—	—
8 ¾ % convertible debenture	5,326	7,549,000		—	—
Real Estate Investment Trust of America	173,200	3,713,000		159,700	3,194,000
National Bank of Canada	143,234	1,850,000		152,234	1,966,000
Royal Trustco Limited	—	—		801,712	11,235,000
AVEMCO Corporation	—	—		211,900	1,924,000
		<u>\$39,422,000</u>			<u>\$22,832,000</u>
Market values		<u>\$42,575,000</u>			<u>\$24,701,000</u>

5. Real estate investments

Real estate investments are stated at cost less accumulated depreciation of \$602,000 at December 31, 1980 and \$441,000 at December 31, 1979.

6. Investment in associated companies

	1980		1979	
	Percent Interest	Number of Shares	Book Value	Book Value
Equity basis				
GREIT Realty Trust	49.3	491,300	\$ 6,283,000	\$2,027,000
Great Northern Financial Corporation	70.1	1,182,344	4,495,000	1,791,000
Cost basis				
San Francisco Real Estate Investors	24.7	658,880	22,747,000	2,422,000
			<u>\$33,525,000</u>	<u>\$6,240,000</u>
Market values			<u>\$40,033,000</u>	<u>\$7,215,000</u>

Notes to Consolidated Financial Statements (continued)**7. Mortgages payable**

Mortgages on real estate investments bear interest at rates varying from 8 $\frac{7}{8}\%$ to 20 $\frac{1}{4}\%$ and mature in various years from 1981 to 2003.

8. Minority interest

(a) In 1977 the Company's wholly-owned subsidiary, Canadian Jamieson Developments Limited, sold \$9,000,000 of its preference shares to a Canadian chartered bank. These preference shares are redeemable no later than May 15, 1982 and pay a cumulative dividend at a rate of 1 $\frac{1}{2}\%$ plus one-half the prime rate of the bank. To date \$1,800,000 of these preference shares have been redeemed. In certain circumstances the bank can require the Company to purchase the preference shares. To secure its obligations to the bank, the Company has pledged 390,000 shares of First Union Real Estate Equity and Mortgage Investments.

(b) In 1978 and 1979 Canadian Jamieson Developments Limited sold \$2,826,000 of its preference shares to a trust company. These preference shares are redeemable no later than May 15, 1983 and pay a cumulative dividend at a rate of 1 $\frac{1}{2}\%$ plus one-half the prime lending rate of a Canadian chartered bank. In certain circumstances the trust company can require the Company to purchase the preference shares. To secure its obligations to the trust company, the Company has pledged 143,234 shares of National Bank of Canada and certain of its other marketable securities.

9. Capital stock

Authorized

934,275	Preference Shares, with a par value of \$20 each issuable in series of which 33,750 have been designated as Convertible Preference Shares, Series A and 175,525 have been designated as 9% Cumulative Redeemable Convertible Preference Shares, Series B
30,320,833	Class A Shares, without par value
20,000,000	Class B Shares, without par value
100	Common Shares, without par value

		1980	1979
Issued			
—	Convertible Preference Shares, Series A.....	\$ —	\$ 825,000
175,525	Convertible Preference Shares, Series B.....	3,510,000	—
3,718,297	Class A Shares	7,665,000	5,867,000
3,247,464	Class B Shares	5,867,000	5,867,000
		<hr/> <u>\$17,042,000</u>	<hr/> <u>\$12,559,000</u>

(a) At December 31, 1980, there were outstanding options to purchase 235,714 Class A Shares at a price of \$4.00 per share exercisable until December 31, 1982.

(b) During 1980, 41,250 Convertible Preference Shares, Series A were converted into 235,714 Class A Shares.

(c) On July 24, 1980, the Company issued 200,000 9% Cumulative Redeemable Convertible Preference Shares, Series B and 400,000 Class A Share Purchase Warrants for \$4,000,000. The Series B Preference Shares are convertible at the option of the holder into Class A Shares at any time to June 30, 1987 at the conversion price of \$5.75 per Class A Share. To December 31, 1980 24,475 Series B Preference Shares had been converted into 85,119 Class A Shares. The Class A Share Purchase Warrants entitle the holders to purchase an aggregate of 400,000 Class A Shares of the Company until November 30, 1981 at \$5.00 per Class A Share.

(d) In 1980 all of the 150,000 Class A Shares allotted under the employee share purchase plan were issued for \$483,000 (note 12(c)).

(e) Details of issued share capital during 1980 are as follows:

	Convertible Preference Shares				Class A Shares				Class B Shares			
	Series A		Series B		Shares		Amount		Shares		Amount	
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount
Balance, beginning of year.....	41,250	\$825,000	—	—	3,247,464	\$5,867,000	3,247,464	\$5,867,000	—	—	—	—
Conversion of Series A Preference Shares.....	(41,250)	(825,000)	—	—	235,714	825,000	—	—	—	—	—	—
Issue of Series B Preference Shares.....	—	—	200,000	\$4,000,000	—	—	—	—	—	—	—	—
Conversion of Series B Preference Shares.....	—	—	(24,475)	(490,000)	85,119	490,000	—	—	—	—	—	—
Issue of Class A Shares under employee share purchase plan.....	—	—	—	—	150,000	483,000	—	—	—	—	—	—
Balance, end of year.....	—	—	175,525	\$3,510,000	3,718,297	\$7,665,000	3,247,464	\$5,867,000	—	—	—	—

10. Equity in net earnings (loss) of associated companies and partnership

	1980	1979
Great Northern Financial Corporation	\$1,027,000	\$152,000
GREIT Realty Trust	930,000	—
Primesite Developments	(431,000)	(105,000)
	<u>\$1,526,000</u>	<u>\$ 47,000</u>

11. Earnings per share

Earnings per share have been calculated based upon the weighted average number of shares outstanding during the period. The calculation of earnings per share on a fully diluted basis assumes the conversion of the convertible preference shares and the exercise of all share purchase warrants and stock options outstanding.

The average number of shares during the period are as follows:

	1980	1979
Basic	6,751,000	6,107,000
Fully diluted	7,566,000	6,159,000

Notes to Consolidated Financial Statements (continued)

12. Remuneration of directors and senior officers

- (a) The aggregate direct remuneration paid to directors and senior officers of the Company amounted to \$349,000 in 1980 and \$201,000 in 1979.
- (b) A director and senior officer is indebted to the Company by reason of loans for \$135,000 made during 1980. The loans are secured by mortgages on his residence, bear interest at varying rates to 8% and mature in 2003. The amount outstanding at December 31, 1980 was \$134,000.
- (c) Senior officers and employees are indebted to the Company for loans totalling \$483,000 made during 1980 to enable them to purchase 150,000 Class A Shares allotted under the employee share purchase plan. The loans bear no interest and are repayable over ten years. The amount outstanding at December 31, 1980 was \$482,000.

13. Contingent liabilities

- (a) The Company is contingently liable for all the obligations of a co-tenancy and partnerships in which it participates. However, against these contingent liabilities, the Company would have a claim upon the assets of the other co-tenants and partners.
- (b) The Company is obliged under certain circumstances to purchase 400,000 shares of San Francisco Real Estate Investors and \$2,000,000 (U.S. funds) promissory note held by lenders as collateral security for term loans made to GREIT Realty Trust.

14. Subsequent events

- (a) Midland Doherty Limited
On October 14, 1980 the Company signed an agreement whereby, if approval is given by certain regulatory authorities, Great Northern Financial Corporation (Great Northern), a subsidiary of the Company, will offer to exchange common shares from its Treasury for Class B participating shares of Midland Doherty Limited, a Canadian investment dealer. Prior to the share exchange, the Company will be offered the right to subscribe for 945,875 additional shares of Great Northern at \$3.60 per share. After completion of this transaction the Company's interest in Great Northern will be reduced from 70.1% to 17.9%.
- (b) Sale of real estate partnership
On January 19, 1981 the Company signed a letter of intent to sell its investment in real estate partnership (Primesite Developments) for approximately \$8,233,000. This transaction is expected to close in April, 1981.

Five-Year Financial Review

	1980	1979	1978	1977	1976
YEAR-END POSITION (thousands except per share figures)					
ASSETS					
Marketable securities	\$ 10,817	\$ 5,410	\$ 7,046	\$ 1,739	\$ 2,339
Portfolio investments	39,422	22,832	13,957	16,320	16,333
Loans, mortgages and accounts receivable	2,519	1,958	1,118	859	119
Real estate investments	21,123	19,600	14,945	6,615	5,445
Investment in other companies	33,525	6,240	3,431	2,284	1,640
Other	160	353	158	103	18
	107,566	56,393	40,655	27,920	25,894
LIABILITIES					
Bank indebtedness	57,584	16,506	6,844	2,085	1,838
Loans, notes and accounts payable	2,930	3,842	1,755	512	400
Mortgages	8,354	8,445	8,658	3,716	3,304
Minority interest	10,026	10,026	9,388	9,000	—
Income debenture	—	—	—	—	5,700
Deferred taxes	—	—	—	—	684
	78,894	38,819	26,645	15,313	11,926
SHAREHOLDERS' EQUITY					
Total	\$ 28,672	\$ 17,574	\$ 14,010	\$ 12,607	\$ 13,968
Pershare — basic	\$ 3.61	\$ 2.58	\$ 2.58	\$ 2.32	\$ 1.99
— fully diluted	\$ 3.85	\$ 2.66	\$ 2.58	\$ 2.32	\$ 1.99
RESULTS FOR YEAR (thousands except per share figures)					
Income					
Rental	\$ 1,448	\$ 1,490	\$ 872	\$ 647	\$ 605
Interest and dividends	3,813	2,889	1,713	1,173	290
Gain (loss) on sale of securities	8,464	1,210	1,160	340	3,676
	13,725	5,589	3,745	2,160	4,571
Expenses					
Property operating	779	428	366	308	246
Interest	4,768	2,730	982	763	656
General and administrative	1,155	718	536	472	121
Depreciation	173	158	78	58	48
	6,875	4,034	1,962	1,601	1,071
Earnings before income taxes, minority interest and items shown below	6,850	1,555	1,783	559	3,500
Income taxes — deferred	—	—	—	—	684
Earnings before minority interest and items shown below	6,850	1,555	1,783	559	2,816
Minority interest	867	761	506	187	—
Earnings before items shown below	5,983	794	1,277	372	2,816
Equity in net earnings (loss) of associated companies and partnership	1,526	47	262	294	(329)
Earnings before extraordinary item	7,509	841	1,539	666	2,487
Extraordinary item	—	—	—	684	—
Net earnings	\$ 7,509	\$ 841	\$ 1,539	\$ 1,350	\$ 2,487
Earnings per share					
Basic	\$ 1.09	\$.14	\$.28	\$.21	\$.35
Fully diluted	\$ 1.03	\$.14	\$.28	\$.21	\$.35
SHAREHOLDERS' STATISTICS					
Shares outstanding	6,965,761	6,494,928	5,432,206	5,432,206	7,032,206
Approximate number of registered shareholders	2,404	1,700	530	530	540

Directors

LAWRENCE A. BRENZEL
President, L. A. Brenzel Securities Limited
an investment dealer
Director since 1974

GEORGE S. MANN
President
Unicorp Financial Corporation
Director since 1975

PHILIP N. HOLTBY
President, Midland Doherty Limited
an investment dealer
Director since 1980

DONALD RAFELMAN
President, Fallbrook Holdings Limited
a private investment holding company
Director since 1975

P. IRVING LANGILL
Secretary-Treasurer, Hatch Associates Limited
an engineering firm
Director since 1979

JOSEPH L. ROTMAN
President, Roy-L Capital Inc.
a private investment holding company
Director since 1979

ALBERT J. LATNER
President, Greenwin Construction
a real estate development and management company
Director since 1980

CHARLES L. TABACHNICK
Chairman, Chartwood Developments Limited
a real estate development and management company
Director since 1981

JAMES W. LEECH
Executive Vice-President
Unicorp Financial Corporation
Director since 1979

LORIE WAISBERG
Partner, Goodman & Goodman
barristers and solicitors
Director since 1974

DAVID P. MANN
Retired businessman
Director since 1978

Corporate Information

Officers:

GEORGE S. MANN, President
JAMES W. LEECH, Executive Vice-President
MICHAEL R. KORDYBACK, Treasurer
LORIE WAISBERG, Secretary
RHEA COHEN, Assistant Secretary

Counsel:

GOODMAN & GOODMAN, Toronto

Auditors:

SOBERMAN, ISENBAUM & COLOMBY, Toronto

Head Office:

UNICORP FINANCIAL CORPORATION
21 St. Clair Avenue East
Toronto, Canada
M4T 2T7

Telephone: (416) 961-1200

UNICORP FINANCIAL CORPORATION

Share Trading Information:

Shares Traded On:

THE TORONTO STOCK EXCHANGE	Symbols:
Class A Shares	UPF.A
Class B Shares	UPF.B
9% Cumulative Redeemable Convertible	
Preference Shares, Series B	UPF.PR.C
Class A Share Purchase Warrants	UPF.WT

Share Trading Record:

	QUARTER	HIGH	LOW	CLOSE	VOLUME
1980	First	\$4.25	\$3.00	\$4.00	106,770
	Second	\$5.25	\$3.80	\$5.25	279,381
	Third	\$7.50	\$5.00	\$6.375	194,687
	Fourth	\$9.50	\$5.50	\$9.50	106,101
					686,939
1979	First	\$2.70	\$2.09	\$2.65	168,792
	Second	\$3.25	\$2.50	\$3.10	154,830
	Third	\$3.85	\$3.00	\$3.75	170,901
	Fourth	\$4.00	\$3.00	\$3.95	87,373
					581,896

The table represents trading prices and values of the common shares up to July 18, 1979 and the aggregate trading prices and values of Class A and Class B shares thereafter.

Transfer Agent and Registrar:

THE ROYAL TRUST COMPANY, Toronto and Calgary

UNICORP

FINANCIAL CORPORATION